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C O N F I D E N T I A L SECTION 01 OF 03 BEIJING 002435

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SUBJECT: TAIWAN AFFAIRS OFFICE PROVIDES UPBEAT READOUT OF ARATS-SEF TALKS

REF: A. TAIPEI 831
1B. BEIJING 1680
1C. BEIJING 2218
1D. BEIJING 1681

Classified By: Acting Political Section Chief Ben Moeling.
Reasons 1.4 (b) and (d).

Summary

11. (C) The June 11-14 dialogue between the Mainland and Taiwan, on hiatus for nearly a decade, "exceeded expectations," Li Li, office director in the Taiwan Affairs Office (TAO) Bureau for Hong Kong, Macao and Overseas Affairs, told PolOff on June 18. He said Chen Yunlin's planned trip to Taiwan in October for the next round of dialogue between the Mainland's Association for Relations Across the Taiwan Strait (ARATS) and Taiwan's Straits Exchange Foundation (SEF) would be the "most important ever" visit of a PRC official and is expected to facilitate regular direct flights (vs. the charter flights agreed to June 14) and mutual establishment of representative offices. The TAO official confirmed that Chen had initiated the discussion on representative offices during the June 11-14 talks. Despite the progress made thus far, the two sides will quickly run out of "easy issues" and will have to confront the more difficult issue of Taiwan's international space before next May, when the World Health Assembly meets. He indicated that Taiwan will have to accept a "subordinate status" in order to participate in the World Health Organization. President Hu Jintao is "actively" managing Taiwan policy, the official stated, which has brought both greater challenges and increased recognition for those involved in Taiwan policy work. End Summary.

ARATS-SEF Talks Exceeded Expectations

12. (C) Li Li, office director in the Taiwan Affairs Office (TAO) Bureau for Hong Kong, Macao, and Overseas Affairs, told PolOff on June 18 that the renewal of dialogue between the Mainland's Association for Relations Across the Taiwan Strait (ARATS) and Taiwan's Straits Exchange Foundation (SEF) after a nearly 10-year hiatus had exceeded expectations. For example, the draft agreement on weekend charter flights originally included only four airports on each side but the final agreement included eight airports on Taiwan and five on the Mainland, with six more Mainland cities to be added based on market demand. (Note: The next Mainland cities set to participate in the charter flights are Chengdu, Chongqing, Hangzhou, Dalian, Guilin, and Shenzhen. See ref A for technical details on the two ARATS-SEF agreements.) The agreements inked during the talks also laid out the next deliverables for the dialogue, including charter cargo

flights, a new cross-Straight air corridor and regularly scheduled direct flights (an upgrade from weekend charter flights).

Next Round in Taiwan

¶ 13. (C) Li advised that the two sides agreed that the next round of ARATS-SEF dialogue will be held in Taiwan in October, which will be the first time the ARATS president has visited the island. Former ARATS President Wang Daohan's planned visit to Taiwan in the fall of 1999 was aborted because of then-President Lee Teng-hui's statement that Taiwan and China should have a "special state-to-state relationship," Li noted. Li said Chen Yunlin's trip will be the "most important ever" by a PRC official to Taiwan. Li said that the TAO is thinking through the implications of ARATS President Chen Yunlin's expected meeting with Taiwan President Ma Ying-jeou and "are not yet sure how to manage it." ARATS's unofficial status will technically allow Chen Yunlin to visit with Ma in his capacity as "ARATS President," Li noted, commenting that it will be a "challenge" deciding how to portray such a meeting inside China.

Representative Offices Necessary Next Step

¶ 14. (C) Li also confirmed press reports that ARATS President Chen Yunlin was the one who took the initiative to push for the mutual establishment of SEF and ARATS representative offices. Despite the fact that Taiwan President Ma Ying-jeou

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had previously publicly proposed setting up representative offices, SEF Chair P.K. Chiang was "not prepared" to make a decision on this matter during the talks. Li opined that Chiang would have to return to Taiwan and report to Taiwan's Mainland Affairs Council (MAC) and the President's office for a decision. Setting up the offices is "extremely necessary" to manage the increasing interaction between the two sides, Li asserted

¶ 15. (C) Li referred PolOff to TAO Deputy Sun Yafu's statement during a June 13 ARATS press conference which purportedly showed the Mainland's support for representative offices. (Note: Sun told reporters "We believe developing toward this direction (setting up representative offices) is the way forward. These offices will be very important to the future interaction of ARATS, SEF and also cross-Straight development. This is because their main purpose would be to provide convenience to the people of both sides and also to resolve problems arising from cross-Straight interaction. There is significance, and also necessity (to set up these offices). But as to when, how and where these offices will be set up, these questions will have to be further discussed.") Li said that as long as Taiwan agrees, establishment of the representative offices could be announced at the next round of ARATS-SEF dialogue in Taiwan in October.

Quick Progression to Direct Flights

¶ 16. (C) There is no specific timetable for establishing direct flights, Li said, but he nevertheless thought both sides will move quickly. With the expected high volume of charter flights, he predicted that the two sides will only need to finalize "technical issues" to make the transition to direct flights. (Note: Other contacts (ref C) say the target for regularly scheduled direct flights is summer of 2009, roughly one year after the start of weekend charters.) With regard to the further development of charter flights, the main factor will be market demand, Li said. For example, adding airports or moving to daily charter flights would not require new negotiations. Such steps as establishing new air corridors or regularly scheduled direct flights, however, would require an ARATS-SEF stamp of approval. Li noted that

the PRC agreed to discuss charter cargo flights by mid-September, but any agreement on that will be signed during Chen Yunlin's visit in October. All agreements between the two sides will be announced in the context of the ARATS-SEF dialogue to emphasize the importance of the channel, he added.

Summer Break for Implementation, Olympics

¶7. (C) The pace of cross-Straits exchanges will slacken over the next few months as the two sides focus on implementing the charter flight and tourism agreements and Beijing turns its focus to the Olympics, Li noted. For this reason, Li predicted that newsworthy items in cross-Straits relations will diminish over the summer. Nevertheless, China expects KMT Chair Wu Poh-hsiung to attend the opening ceremony of the Olympics on August 8. The proposal for athletes from the PRC and Taiwan to hold a joint torch run was raised by the Taiwan side, but there is no agreement yet.

International Space Depends on Taiwan

¶8. (C) Li expected the two sides will quickly exhaust the "easy issues" and then have to confront more sensitive issues such as Taiwan's security and international status. Li noted that the question of international space will likely be discussed in the ARATS-SEF channel before the World Health Assembly meets next May. Li said that the TAO is "carefully studying" the implications of Taiwan's participation in the WHO, which would be significant because the WHO is the largest UN-affiliated organization, with nearly all UN member countries participating. He noted that the United States, Japan and EU countries support Taiwan's participation as an observer. Taiwan is "not a country" so it cannot directly apply to join the WHO, Li pointed out. The PRC has offered to include personnel from Taiwan in its WHO delegation or to submit an application on Taiwan's behalf for Associate Membership, as the United States did for Puerto Rico. (Note: WHO regulations state that territories which are not responsible for the conduct of their international relations may be admitted as Associate Members upon application made on

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their behalf by the Member or authority responsible for their international relations.) Li said in the past Taiwan has refused these offers but Taiwan may have a different approach under Ma Ying-jeou. Li asserted that "it is up to Taiwan" to accept if it wants to expand its international space. In response to a question from PolOff, Li said the issue of PRC missile withdrawals and other military confidence-building measures should also be discussed in the ARATS-SEF channel but has not been yet.

Hu's Attention to Taiwan Alters Work Environment

¶9. (C) Echoing comments by other Beijing contacts (ref D), Li stressed that President Hu Jintao is "closely managing" the Taiwan issue. Hu Jintao is "actively pushing" Taiwan policy forward, Li stated. Chinese People's Political Consultative Conference (CPPCC) Chairman (and number 4 in the Politburo) Jia Qinglin, State Councillor Dai Bingguo, and Director of the Central Committee's Central Policy Research Office Wang Huning have also become much more involved in Taiwan policymaking in recent months (ref C), Li said. This high-level involvement has increased the "pressure" on officers involved in Taiwan policy, but has also increased the attention paid to their work. Li admitted that, for most of the past decade, work in the TAO has been "thankless" and the office was frequently criticized for the poor state of cross-Straits relations and "the trend toward Taiwan independence." The pace of work since the March 22 election has been intense, Li confided. The adjustment for those assigned to ARATS has been particularly jarring. Li joked

that the ARATS people "essentially have been doing nothing" for 10 years, but they had "gotten in great shape" because they have had plenty of time to exercise.

ARATS-SEF the Primary Channel

¶110. (C) The ARATS-SEF dialogue is the primary channel for conducting cross-Straits affairs, because both organizations are officially authorized, Li asserted. At the same time, the PRC values the CCP-KMT channel even though it has lower "status" than the ARATS-SEF talks. Asked about the possibility of a senior party leader, such as Jia Qinglin, answering KMT Chair Wu Poh-hsiung's invitation to visit Taiwan, Li said that Jia has indeed been active in hosting Taiwan visitors and would be a logical choice to go to Taiwan. Li noted, however, that such a visit would be largely symbolic and that many symbolic meetings have already taken place. Therefore, such a trip is not necessary. At any rate, Chen Yunlin's visit to Taiwan will come first and then the two sides can work out future high-level CCP-KMT exchanges.

Wang Yi Adjusting to TAO

¶111. (C) New TAO Director Wang Yi has an "excellent reputation," Li commented, agreeing with other contacts (ref C) that Wang is "well-suited" to deal with international issues related to Taiwan. Li said Wang is still settling in and his arrival has put "particular pressure" on Li's bureau, because Wang is "such an expert in foreign affairs." As an outsider and newcomer, Wang Yi will nevertheless have a "considerable challenge" adjusting to the job, Li opined. TAO's personnel have not changed much over the years, and former TAO Director and new ARATS President Chen Yunlin has been there since 1994 and is still in the building in his ARATS capacity. (Note: ARATS President Chen Yunlin is nominally subordinate to the TAO Director, though the real nature of their relationship remains unclear.) At meetings, everyone knows each other except for Wang Yi. For these reasons, Li said it may take some time for Wang to feel "comfortable" in the job.

¶112. (C) In a separate conversation June 20, MFA International Organizations and Conferences Department Deputy Director General told acting PolMinCouns that Wang Yi's appointment to TAO was "sudden" and "came as a very big surprise to everyone" at MFA. MFA has not yet named a successor for Wang Yi as Executive Vice Foreign Minister, and no one is acting in that capacity. "Each Vice Minister and Assistant Minister takes care of his own issues for now," Wu said.

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